



**Harris County Community Services Department**

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# **Harris County Home Repair Program Policies and Procedures**



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*Presented for Approval by the Harris County Commissioners Court  
July 25, 2006*

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## TABLE OF CONTENTS

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<b>INTRODUCTION .....</b>	<b>4</b>
<b>I. PROGRAM OVERVIEW .....</b>	<b>4</b>
A. INTENT AND PURPOSE .....	4
B. PROGRAM SCOPE .....	5
<b>II. DEFINITION OF TERMS .....</b>	<b>5</b>
<b>III. PROGRAM ADMINISTRATION .....</b>	<b>10</b>
<b>IV. INTAKE PROCEDURES AND INITIAL FEASIBILITY ASSESSMENT .....</b>	<b>11</b>
A. INTAKE/INITIAL SCREENING PROCEDURE .....	11
B. INITIAL FEASIBILITY ASSESSMENT .....	12
C. WAITING LIST .....	13
D. HOME REPAIR APPLICANT DATABASE .....	13
<b>V. ELIGIBILITY AND UNDERWRITING GUIDELINES AND PROCEDURE .....</b>	<b>13</b>
A. GENERAL POLICIES AND GUIDELINES .....	13
B. UNDERWRITING AND FILE SETUP PROCEDURES .....	17
C. MINOR HOME REPAIR GRANTS (CDBG ONLY) .....	24
D. LATENT DEFECTS GRANTS .....	24
E. MAJOR REHABILITATION/RECONSTRUCTION DEFERRED LOANS .....	25
<b>VI. PROPERTY ASSESSMENT AND WORK WRITE-UP PROCEDURES .....</b>	<b>29</b>
A. PROPERTY ASSESSMENT PROCESS .....	29
B. LEAD SAFE HOUSING RULE (LSHR) COMPLIANCE .....	30
C. ENVIRONMENTAL/HISTORICAL REVIEW .....	32
D. PROPERTY ASSESSMENTS .....	33
E. THE WORK WRITE-UP .....	35
<b>VII. EVALUATION, SELECTION AND CERTIFICATION OF CONTRACTORS .....</b>	<b>38</b>
A. QUALIFYING CONTRACTORS .....	38
B. DISQUALIFYING CONTRACTORS .....	40
C. CONTRACTOR ORIENTATION MEETING .....	40
<b>VIII. THE BIDDING PROCESS .....</b>	<b>41</b>
<b>IX. CONSTRUCTION MANAGEMENT AND PROJECT COMPLETION PROCEDURES .....</b>	<b>41</b>
A. PRE-CONSTRUCTION CONFERENCE .....	41
B. PROJECT MONITORING .....	42
C. CHANGE ORDERS .....	44
D. PROGRESS PAYMENTS .....	44
E. REPORTING .....	48
F. DISPUTES .....	50
<b>X. PROPERTY DISPOSITION POLICY FOR HARRIS COUNTY COMMUNITY SERVICES DEPARTMENT .....</b>	<b>52</b>

A.	RESIDENTIAL REAL PROPERTY FORECLOSURES.....	52
B.	COUNTY-OWNED SURPLUS REAL PROPERTY .....	52
C.	CEDD LOAN PROGRAM FOR RESALE OF PROPERTIES.....	53
<b>XI. PREVENTION DETECTION AND INVESTIGATION OF PROGRAM WASTE, FRAUD AND ABUSE</b>		
.....		<b>54</b>
<b>XII. APPENDICES.....</b>		<b>55</b>
A.	UNDERWRITING REVIEW COMMITTEE GUIDELINES.....	A
B.	OPTIONAL RELOCATION POLICY.....	B
C.	LEAD BASED PAINT REQUIREMENTS .....	C
D.	SAMPLE ENVIRONMENTAL REVIEW RECORD .....	D
E.	MINIMUM ACCEPTABLE PROPERTY STANDARDS.....	E
F.	CLIENT GRIEVANCE OR COMPLAINT PROCEDURES .....	F
G.	HOME REPAIR APPLICATION .....	On CD
H.	VERIFICATION FORMS.....	On CD
I.	INITIAL PROPERTY FEASIBILITY REPORT .....	On CD
J.	GRANT CONTRACT .....	On CD
K.	MECHANIC'S LIEN CONTRACT .....	On CD
L.	CONTRACTOR APPLICATION PACKET .....	On CD
M.	WORK WRITE-UP/ACKNOWLEDGEMENT OF SCOPE OF WORK FORM.....	On CD
N.	SAMPLE INHOUSE ESTIMATE AND COST SHEET .....	On CD
O.	RECORD OF PRE-CONSTRUCTION CONFERENCE .....	On CD
P.	FIELD REPORT .....	On CD
Q.	REQUEST FOR INFORMATION (RFI) .....	On CD
R.	CHANGE ORDER .....	On CD
S.	CONTINGENCY ALLOWANCE EXPENDITURE INFORMATION FORM (CAEI).....	On CD
T.	CONTINGENCY ALLOWANCE EXPENDITURE AUTHORIZATION (CAEA).....	On CD
U.	FIELD CHANGE .....	On CD
V.	APPLICATION AND CERTIFICATE FOR PAYMENT.....	On CD
W.	PROJECT SETUP AND COMPLETION REPORT .....	On CD
X.	CLIENT DATA AND SUMMARY REPORTS .....	On CD
Y.	SEMI-ANNUAL REPORT FORM .....	On CD
Z.	HOMEOWNER SATISFACTION SURVEY .....	On CD

## **Introduction**

As a part of its mission, the Harris County Community Services Department (CSD) is charged with the creation of affordable housing and a suitable living environment for the low income, disabled and homeless individuals of Harris County. CSD carries out its mission in part through the operation of the Harris County Home Repair Program. The goal of the Harris County Home Repair Program is to alleviate specific life, health, and/or safety hazards resulting from severely substandard conditions in a home owned and occupied by a low income, elderly and/or disabled person. The policies and procedures contained herein dictate the approved method of operation for CSD's Harris County Home Repair Program.

The provisions of this manual may be amended from time to time, as determined by the Director of the Harris County CSD, by order of the Harris County Commissioner's Court and/or in accordance with the requirements enforced by the United States Department of Housing and Urban Development (HUD) through its Community Development Block Grant (CDBG) and HOME Investment Partnership Programs and in accordance with 24 CFR 92.205, 24 CFR 92.254(b), 24 CFR 570.202, 24 CFR 85, 24 CFR 570.503, 570.503(b)(5)(I), 570.604, 24 CFR 570.606, 570.201, and 49 CFR 24. This document shall supersede all previous operations and/or policy manuals approved by Harris County Commissioners Court for this purpose.

## **I. PROGRAM OVERVIEW**

### **A. INTENT AND PURPOSE**

The intent of the Harris County Home Repair Program Policies and Procedures Manual is to establish efficient procedures to carry out the policy and intent of Commissioners Court and HUD in the repair of owner-occupied, single-family residential units. While the legislative rules and regulations governing federally funded housing programs are referred to or often restated in this manual, the manual itself is not a legislative document and may be administratively amended from time to time by the Director of CSD to improve the efficiency of implementation, provided such amendments do not alter the legislative intent as set forth in local, state, and federal laws and regulations.

With certain exceptions, the Harris County Home Repair Program Policies and Procedures Manual has been patterned after those Rehabilitation Programs provided for in Section 312 of the U. S. Housing Act of 1964 and amendments thereto. In cases where this manual does not address itself to a particular situation, the procedures established in the Rehabilitation Loan Program Handbook, No. 7375.1 published by HUD, shall be applied.

This document has been reviewed by appropriate County Departments that may be involved in the processing of Deferred Loans and Grants. The manual will serve as a useful training document for new employees and a ready reference for day to day operations of the Home Repair Program.

## **B. PROGRAM SCOPE**

The Harris County Home Repair Program is a program that provides financial assistance to eligible elderly and disabled homeowners under the following three home repair categories:

**Minor Repair:** Provide up to \$10,000 assistance in the form of a grant or deferred payment loan for minor home repairs for qualified housing, including but not limited to, roof repair/replacement, handicap accessibility improvements, mechanical, electrical, and plumbing improvements.

**Health and Safety Improvements:** Provide funding in the form of a grant or deferred payment loan for the purpose of repairing and/or replacing water wells and septic systems that are not functioning and/or have received health and safety violation citations.

**Major Rehabilitation/Reconstruction:** Provide funding in the form of a deferred payment loan for major rehabilitation/reconstruction services. Services in this category are provided on a limited basis. Due to the risky nature as well as costliness of this activity, CSD reserves the right to utilize this category of assistance on an as needed basis as determined by CSD management and approved by Director of CSD.

## **II. DEFINITION OF TERMS**

The following definitions may appear in this Manual in connection with the operation of the Home Repair Program:

<i>ACTIVITY</i>	Each individual site or building when added to other sites comprises a project. Each homeowner/housing unit which receives assistance under the Home Repair Program.
<i>APPLICANTS' INCOME</i>	All income of the applicants and all adult (ages 18 years and older) family and non-family members residing in the home with the exception of income of minor children.
<i>CEDD SERVICE AREA</i>	The unincorporated area of Harris County, Texas and the municipalities with which Harris County has a written cooperative agreement to provide community development program assistance.
<i>COMMISSIONERS COURT OF HARRIS COUNTY, TEXAS</i>	The local governing body of Harris County, Texas.
<i>COMMUNITY DEVELOPMENT</i>	The federal entitlement program conducted under the

<i>BLOCK GRANT (CDBG)</i>	provisions of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301 et seq.), and the Code of Federal Regulations (24 CFR Part 570) from which Harris County receives funds that can be used to make grants and loans for housing repair related expenses
<i>CONTINGENCY ALLOWANCE</i>	The approved allowance set aside to cover the cost of hidden, concealed or otherwise unforeseen construction conditions that develop during the project outside of the original scope of work.
<i>COOPERATIVE CITY</i>	A municipality that has a written cooperative agreement with Harris County to provide community development program assistance.
<i>GENERAL PROPERTY IMPROVEMENTS (GPI)</i>	Rehabilitation work or improvements not required to make property comply with the Minimum Property Standards, but which are desirable to improve the quality of life and enhance property value.
<i>HARRIS COUNTY COMMUNITY SERVICES DEPARTMENT (CSD)</i>	A department of Harris County government responsible for the administration and operation of the Home Repair Program.
<i>HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)</i>	The federal entitlement program conducted under the provisions of the Cranston-Gonzalez Affordable Housing Act of 1990, as amended, and the Code of Federal Regulations (24 CFR Part 92) from which Harris County receives funds that can be used to assist existing owner-occupants with the repair, rehabilitation, reconstruction, and new construction of their homes.
<i>HOUSING QUALITY STANDARDS (HQS)</i>	Minimum criteria established by HUD in the HUD handbook 7420.8 for all units particularly in the Section 8 program (24 CFR 882.109). All units must meet the safe decent and sanitary housing ordinances as defined in 7420.8.
<i>INCIPIENT DEFECTS</i>	Problems or defects with the property that are not apparent or minor in nature which, if not corrected, would reasonably be expected to deteriorate into actual deficiencies in the near future.
<i>INHABITABLE DWELLING</i>	A standard dwelling unit or a substandard dwelling unit

<i>UNIT</i>	suitable for rehabilitation.
<i>INTEGRATED DISBURSEMENT AND INFORMATION SYSTEM (IDIS)</i>	The data and funding management system administered by HUD into which every CDBG or HOME assisted project and activity must be entered.
<i>INVESTOR-OWNED PROPERTY</i>	A property used entirely for residential purposes that is either not occupied by the Owner, or contains five or more dwelling units whether or not occupied by the Owner.
<i>LATENT DEFECTS</i>	A defect that is hidden from knowledge as well as from sight and one that would not be discovered even by the exercise of ordinary and reasonable care.
<i>LOW INCOME</i>	An applicant whose household income does not exceed 80 percent of the median income for the area, as determined by HUD annually.
<i>MANUFACTURED HOMES</i>	<p>A manufactured home is a structure with or without a permanent foundation, that is built on a permanent chassis designed for use as a principal place of residence, and meets the housing quality standards listed in 24 CFR Part 982.621.</p> <p>a) Performance Requirement. In addition to meeting the housing quality standards in 24 CFR Part 982.621 a manufactured home unit must: i) Be equipped with at least one smoke detector in working condition; and ii) Must be placed on the site in a stable manner and be free from hazards such as sliding or wind damage.</p> <p>b) Acceptability Criteria. A manufactured home must be securely anchored by a tie-down device that distributes and transforms the loads imposed by the units to appropriate ground anchors to resist wind overturning and sliding.</p>
<i>MINIMUM PROPERTY STANDARDS (MPS)</i>	Minimum standards and criteria established for the repair, rehabilitation, or reconstruction of housing deemed eligible for assistance as published in CSD's <i>Minimum Acceptable Standards for Residential Acquisition, Construction and Rehabilitation</i> .
<i>MOBILE HOME</i>	A mobile home must meet the requirements of the Federal Manufactured Home Construction and Safety Standards, pursuant to Title VI of the Housing and Community Development Act of 1974, and 24 CFR Part 3280 to include all revisions and amendments.

*MODULAR HOME*

A modular home is intended for residential occupancy. It is built in sections at a factory, transported to the building site and erected on a permanent foundation. Modular construction must conform to all state and local codes, and meets the housing quality standards listed in 24 CFR Part 982.621.

a) Performance Requirement. In addition to meeting the housing quality standards in 24 CFR Part 982.621 a modular home must: i) Must have engineered reinforced concrete slab or continuous footing; and ii) Equipped with complete plumbing, electrical, and heating facilities; and iii) To be connected to service facilities.

*OWNER-OCCUPIED  
PROPERTY*

A property occupied by the Owner that is used entirely for residential purposes and that contains one to four dwelling units.

*PROJECT*

Site or sites together with any building (including manufactured housing units) or buildings located on the site(s) under common ownership, management and financing and are to be assisted with federal funds as a single undertaking. The project includes all the activities associated with the site and building.

*PROJECT DELIVERY  
EXPENSES*

Those allowable expenses for underwriting, eligibility review, grant preparation, and contract processing and closing, which include, but are not limited to, the following: tax and title search, appraisal report, and credit report fees.

*PUBLIC NUISANCE*

A structure that is structurally unsafe or constitutes a hazard to safety, health, or public welfare because of inadequate maintenance, unsanitary conditions, dilapidation, obsolescence, fire hazard, disaster, damage, or abandonment.

*RECONSTRUCTION*

Means the rebuilding of a structure on the same lot where housing is standing at the time of project commitment. Reconstruction also includes replacing a substandard manufactured house with a new manufactured house. During reconstruction, the number of rooms per unit may change, but the number of units may not.

*RELOCATION EXPENSES*

Those allowable expenses according to federal law, HUD guidelines and CSD policy for temporary displacement of a homeowner due to the nature and extent of the rehabilitation



	and/or repair work.
<i>REQUIRED WORK</i>	Repair and/or rehabilitation work necessary to make property comply with Minimum Property Standards.
<i>STANDARD DWELLING UNIT</i>	A standard dwelling unit in the unincorporated areas of Harris County must comply with CSD's Minimum Property Standards. Dwelling units in the incorporated areas of Harris County must comply with the building code adopted by the incorporated area and HQS.
<i>STRUCTURE</i>	The term "structure" is used to denote a building or other improvements which are <u>not</u> intended for permanent habitation by a person or family and do not comply with Section 8 Housing Quality Standards (HQS) nor CSD's Minimum Property Standards; dwelling units which have been vacant for over a year and which constitute a public nuisance; and dwelling units converted to a use other than a dwelling unit and which constitute a public nuisance.
<i>SUBSTANDARD DWELLING UNIT</i>	A dwelling unit which is deficient in any or all of the acceptable criteria of Section 8 Housing Quality Standards (HQS), CSD's Minimum Property Standards, and where applicable, the building code adopted by an incorporated area.
<i>SUBSTANDARD DWELLING UNIT NOT SUITABLE FOR REHABILITATION</i>	A dwelling unit which in the opinion of the Harris County Health Inspector, Harris County HCIS Project Specialist, the Building Official of an incorporated area or their duly appointed representatives, <u>cannot</u> be brought into compliance with Section 8-Housing Quality Standards (HQS), CSD's Minimum Property Standards, or where applicable with an incorporated area's adopted building code, at a total cost which is less than the total appraised value of the dwelling unit as listed on the Harris County Certified Tax Roll for the most recent tax year.

*SUBSTANDARD DWELLING  
UNIT SUITABLE FOR  
REHABILITATION*

A dwelling unit which in the opinion of the Harris County Health Inspector or the Building Official of an incorporated area or a duly appointed representative, or such official can be brought into compliance with Section 8-Housing Quality Standard (HQS), CSD's Minimum Property Standards, or where applicable with an incorporated area's adopted building code, at a total cost which is less than the total appraised value of the dwelling unit as listed on the Harris County Certified Tax Roll for the most recent tax year.

*TARGET AREA*

An area within Harris County, Texas that has been designated for assistance where the majority of the residents are low-income persons.

*U. S. DEPARTMENT OF  
HOUSING AND URBAN  
DEVELOPMENT (HUD)*

Agency of the federal government responsible for the allocation of funds and the oversight of the use of such funds used the Home Repair Program as well as other eligible affordable housing and community development activities.

*UNDERWRITING REVIEW  
COMMITTEE (URC)*

A committee comprised of five CSD staff members who oversee the approval of downpayment assistance deferred loans and housing repair grants or loans and the awarding of bids for housing repair contracts. Members of the URC include representatives from Finance, Grants Management-Affordable Housing section, Planning, Development and Lending. Four of the five members are active with the fifth member being the Director who in the case of a tie vote makes the final decision.

*UNIT OR DWELLING UNIT*

Residential space that is a place of permanent habitation or abode for a person or family, including an apartment or house that contains a living room, kitchen area, sleeping area, and bathroom(s). A dwelling unit may include Single Room Occupancy (SRO) units.

### **III. PROGRAM ADMINISTRATION**

The Harris County Home Repair Program is primarily administered and operated by the Housing Construction and Inspection Services (HCIS) section of CSD. The Finance, Lending Services, and Grants Management sections of CSD also play supporting roles in the administration of the Home Repair Program. HCIS is responsible for intake, assessments, relocation, contractor selection, bidding, construction management, progress inspections, final inspections, warranty

follow-up inspections, and project close-outs. Finance, Lending Services, and Grants Management are responsible for payment processing and bid review/tabulation, qualifying applicants and contract development, and monitoring and quality control, respectively.

Effective program management shall be achieved via the constant coordination and cooperation of the four CSD department sections noted above.

## **IV. INTAKE PROCEDURES and INITIAL FEASIBILITY ASSESSMENT**

### **A. INTAKE/INITIAL SCREENING PROCEDURE**

All telephone, walk-in and mailed inquiries for home repair assistance shall be referred to and handled by the HCIS Administrative Assistant. Following receipt of an initial inquiry, the following intake/initial screening procedures shall be followed:

- a) Upon receipt of any inquiry regarding the Home Repair Program, the HCIS Administrative Assistant shall record the inquiry in the **Inquiry Listing**.
- b) If the inquiry is in person or via telephone, the HCIS Administrative Assistant shall talk with the prospective applicant to explain the program and/or the assistance that is available, verify basic eligibility criteria, and provide general information about the program. During the course of the conversation the following questions may be asked:
  - Do you own your home?
  - Are you disabled or 62 years old or older?
  - Do you live outside the city limits of Houston, Baytown or Pasadena? If so, do you and your property reside within Harris County?
  - How many adult persons reside within your home?
  - Does your total household income equal less than (state the maximum income limits for the household size)?
  - Do you owe any unpaid property taxes?
- c) If the applicant is a resident of the CSD service area, a Home Repair Program Application Packet ("Application") is mailed/provided to the prospective client.
- d) Upon receipt of a completed Application, the HCIS Administrative Assistant shall enter the applicant's information in the **Intake List** and evaluate the Application against the initial screening criteria according to the following procedures:
  - Review applicant identification information to determine if the person is 62 years old or older. If not, review information to determine if applicant has submitted information to prove disability status.
  - The applicant name shall be checked against the list of previously assisted homeowners and homebuyers in the central database to determine if 1) the applicant has received repair assistance within the last three (3) years, except

for health and safety grant assistance as it relates to septic and well projects, 2) has a current deferred payment loan for previous major rehabilitation assistance, or 3) is under an affordability period beyond 12 months after receipt of homebuyer assistance under the Downpayment Assistance Program (DAP).

- Verify and confirm that the location of the applicant residence is within the CSD service area utilizing the Harris County Appraisal District website. If any discrepancies are observed regarding the property address provided in the Application, the Administrative Assistant should contact the Applicant to clarify.
  - Determine if the applicant residence is located within a 100 year flood plain. If the residence is located in the 100 year flood plain, as determined by FEMA flood control map data, the property is not eligible for assistance.
- e) For all applicants that meet the initial screening criteria, the HCIS Administrative Assistant shall prepare a file for the client and schedule an Initial Feasibility Inspection. **If the applicant fails to meet any of the initial screening criteria, a rejection letter is sent detailing the reason for denial.**
- f) If the Initial Feasibility Inspection deems the project to be feasible for repair, the applicant is placed on a **Pending Eligibility Waiting List** (“working list”) and the applicant file is forwarded to Lending Services for Underwriting, Eligibility Review and Determination. **If the Initial Feasibility Inspection deems the project not feasible for repair, a rejection letter is sent detailing the reason for denial.**
- g) If an applicant is denied services for any reason during the preliminary screening process, the HCIS Administrative Assistant shall send a letter informing the applicant of the reason why the application for assistance was rejected.

## **B. INITIAL FEASIBILITY ASSESSMENT**

Following initial screening and prior to eligibility underwriting review, the applicant property shall be assessed for feasibility under the Home Repair Program. The initial feasibility assessment is an inspection conducted by an HCIS project specialist to determine if the property is feasible for the Home Repair Program. The feasibility analysis will include but not be limited to a review of the condition of the foundation, main structure, roof, electrical, plumbing, mechanical systems, and will assess the relative scope and cost required to address the observed deficiencies associated with those systems.

If the property is deemed eligible for home repair, the HCIS Administrative Assistant shall forward the approved initial feasibility inspection report with the applicant file to

the Loan Originator in Lending Services. Transfer of the file triggers the eligibility underwriting review.

If the property is deemed ineligible based on the initial feasibility inspection, the HCIS Administrative Assistant shall send a letter informing the applicant of the reason for rejection.

### **C. WAITING LIST**

Assistance under the Harris County Home Repair Program is limited to a first-approved, first-served basis. HCIS shall maintain a Pending Eligibility and Approved Waiting List for all applicants for assistance. All applicants who meet the initial screening criteria and initial feasibility assessment shall be placed on a Pending Eligibility Waiting List. Upon receipt of all verification forms and a completion of the eligibility and underwriting process, approved applicants will be removed from the Pending Eligibility Waiting List and placed on the **Approved Waiting List**. Only those persons placed on the approved waiting list are considered as approved and will be assisted in the order they are placed on the approved waiting list. To ensure the waiting list policy is adhered to, applicant approval dates shall be maintained in a database. CSD reserves the right to close the Approved Waiting List and accept no further applications when the number of approved applicants exceeds a six (6) month wait for repairs to be completed.

In addition to the Pending Eligibility and Approval Waiting Lists, the HCIS Administrative Assistance shall also maintain Inquiry and Intake Lists for the purpose of assessing program demand. The Inquiry List shall track all phone calls, electronic mail messages, referrals, and walk-in inquiries regarding interest in the program. The Intake List shall track all Applications submitted for assistance under the program whether approved or not.

### **D. HOME REPAIR APPLICANT DATABASE**

Every applicant to the Home Repair Program shall be entered into the Home Repair Applicant Database. In addition to this Database, a separate inquiry listing shall be maintained to document the number of inquiries received by phone, mail, or in person about the Home Repair Program.

## **V. ELIGIBILITY AND UNDERWRITING GUIDELINES AND PROCEDURE**

### **A. GENERAL POLICIES AND GUIDELINES**

Eligibility requirements and other general program guidelines are as follows:

## **1. FORMS OF ASSISTANCE**

The Home Repair Program provides financial assistance in the form of Grants or Deferred Payment Loans (DPL) to low-income homeowners of one-to-four-family residential properties to pay for eligible repair work to improve their homes. DPLs shall be secured by a lien on the homeowner's property for the term of the loan. Grants may be secured by a lien on the homeowners property, or other mechanism approved by the County Attorney, to secure performance and ensure that the homeowners meet the requirements to deem the project eligible (i.e. reoccupy the home following completion of repairs).

## **2. ELIGIBILITY CRITERIA**

In determining eligibility under the Harris County Home Repair Program, the following factors shall apply unless otherwise denoted for the specific type of assistance:

- a) Applicant(s) must own a one hundred percent (100%) interest in a one-to-four-family residential property occupied by the applicant as a legal homestead. Such ownership shall be evidenced and confirmed by review of a Title Status Report from the County Attorney's Office.
- b) The property must be located within the unincorporated area of Harris County, Texas, or within the boundaries of a Harris County Cooperative City.
- c) The household income of the low income applicant(s) must not exceed 80 percent of the median family income as determined by HUD for Harris County.
- d) The applicant(s) must be current on all property taxes.
- e) If the property is located within a 100 year flood plain, the homeowners must provide evidence of flood insurance.
- f) Upon completion of repair work, the assisted property must meet the applicable CSD Minimum Acceptable Property Standards as required based on the type of assistance provided.
- g) Grants or deferred payment loans will be issued in accordance with the schedule of Assistance Categories provided in the section below.
- h) The applicant(s) must not have received home repair or rehabilitation assistance from Harris County within the past **three (3) years** for minor repair projects and ten (10) years for major rehabilitation projects, except for health and safety grant assistance as it relates to septic and well projects, and the homeowner must not be under an affordability period beyond 12 months after receipt of Harris County downpayment assistance.

- i) The property must pass an environmental and historical evaluation.

### 3. ASSISTANCE CATEGORIES

Persons shall qualify for assistance based upon family size and **gross** family income. The assistance categories are fixed and each applicant is approved or disapproved based upon the client's ability to meet the program's underwriting criteria. Under special circumstances as recommended by the HCIS Manager, the maximum limit per dwelling unit may be waived with the approval by the CSD Director.

The following general assistance categories and terms apply:

**Category 1: Home Repair Assistance may be offered in the form of grants or deferred payment loans. Grants are offered with no terms and are not intended to be repaid. Deferred payment loans are offered with a one year lien period.**

Home Repair

Structural	0 - \$10,000	Terms Grant
Mechanical/Electrical Plumbing	0 - \$10,000	Terms Grant
Weatherization	0 - \$10,000	Terms Grant
ADA Compliance	0 - \$10,000	Terms Grant

**Category 2: Health and Safety Improvement Assistance may be provided in the form of grants or deferred payment loans. Grants are offered with no terms and are not intended to be repaid. Deferred payment loans are offered with a one to five year lien period.**

Health & Safety Improvements

Septic System only	0 - \$25,000	Terms Grant or 3 years
Water Well only	0 - \$25,000	Terms Grant or 3 years
Septic System & Water Well	0 - \$40,000	Terms Grant or 5 years
Sewer Taps	0 - \$10,000	Terms Grant or 1 year
Water Taps	0 - \$10,000	Terms Grant or 1 year
Other General items	0 - \$10,000	Terms Grant or 1 year

### 4. ELIGIBLE ASSISTANCE

An eligibility and construction assessment shall be conducted for all applications submitted for repair services. The costs and feasibility of construction shall be assessed by the assigned HCIS project specialist for each project. All projects shall be forwarded to Commissioners Court for approval of the Grant Contract and/or Mechanic's Lien Contract. The original Mechanics Lien Contract will be properly recorded at the County Clerk's Office.

All contract documents will require review and approval by the County Attorney's Office.

The eligibility requirements for a grant/deferred loan include an assessment of the applicant's annual income and family size. Category 1 allows for 100% of the construction cost to be provided as a Grant. All deferred loans issued in Work Category 2 will have a one to five year lien term.

A grant, deferred payment loan, or any combination thereof may be made for any one or more of the following purposes:

- a) The work is necessary to bring the property into compliance with local housing codes or HQS (whichever standards are higher), including the correction of incipient defects, weatherization, and certain energy conservation improvements.
- b) Work which is desirable to improve life quality and enhance property values. The amount of work for this purpose cannot exceed twenty percent (20%) of the total work cost of complying with HQS, local codes and correcting incipient code violations to the extent, if any the applicant is eligible for such improvements.
- c) The costs for labor, materials and other costs of rehabilitation of properties that are eligible activities authorized by the regulations at 24 C.F.R. § 570.202 or 24 C.F.R. § 92.206.
- d) A contingency allowance amount used only to cover the cost of hidden, concealed or otherwise unforeseen conditions, not to exceed ten percent (10%) of the Construction Bid Price. CSD management reserves the right to adjust the contingency percentage when the project scope necessitates such. Contingency amounts are always issued as a Grant to the Applicant and repayment is not intended.
- e) When the scope of work on a project necessitates homeowner needs to relocate in order to accomplish the required work a grant up to \$3,500 can be provided to the homeowner (repayment is not intended).



## **5. EQUAL OPPORTUNITY**

All Home Repair Program activities must not discriminate against any person on the grounds of race, color, national origin, religion, sex, familial status, or disability.

## **6. HISTORICAL PRESERVATION OF PROPERTIES**

Verification of any historical value is obtained from the Texas Historical Commission and files shall be documented accordingly. Homes built 50 years ago or earlier at the time of application for assistance shall require a historical review. CSD reserves the right to terminate assistance if historical preservation costs shall exceed the financial assistance limits of the Home Repair Program.

# **B. UNDERWRITING AND FILE SETUP PROCEDURES**

## **1. REVIEW OF QUALIFYING DOCUMENTS**

The underwriting and eligibility review process, as applicable, shall involve a thorough review of the following qualifying documents:

Repair Application	Flood Plain Map
Verification Forms	Proof of Ownership
Homestead Exemption	Tax Report and/or Receipts
Proof of Income	Credit Report History

## **2. GENERAL CRITERIA**

### **a. Income Eligibility**

The applicant's household income must not exceed 80% of the area median income as published by HUD. An applicant's income shall be assessed utilizing either the HUD Part 5 Income Determination method, or the IRS Income Tax Return. When HOME funds are utilized the HUD Part 5 Income Determination method shall be used to assess an applicant's income eligibility. An applicant's income eligibility shall be determined by comparison of the applicant's household income including applicable asset income to the most current HUD published Income Limits. If an applicant's household income does not exceed the HUD published income limits, the applicant shall be deemed as meeting the income eligibility threshold for the Home Repair Program.

### **b. Credit History**

An Applicant's credit history will be reviewed to determine lack of encumbrances on the property to be rehabilitated by CSD; such as, but not limited to:

- Foreclosure proceedings or a number of late payments on the mortgage that would appear to be in pre-foreclosure status.

- Bankruptcy that has not been discharged that could involve the applicant's property. Applicant would need to provide evidence that the bankruptcy has been discharged.
- Tax suits (property, state, federal, etc.) that could encumber the property.
- Judgments against the property.
- Any other items on the credit report that would give concern to the continued ownership of the property by the applicant.

Payment history on the applicant's credit report typically does not factor into the qualification for an applicant to receive rehabilitation assistance since work performed by CSD is provided to the applicant as a grant or a deferred loan. However, all aspects of the credit report will be reviewed by Lending Services to determine the eligibility of the applicant for assistance.

***Bankruptcies shall be reviewed and considered when the applicant can provide evidence that the bankruptcy has been discharged, and upon review and approval of the application by the Loans Originator and Lending Services Manager.***

***At no time shall an applicant whose home is in pre-foreclosure be considered for services.***

**c. Title Status**

CSD will request the Harris County Attorney's Office to provide a title status report/title search of the applicant(s) property to determine that a one hundred percent (100%) interest in the property is vested with the applicant(s). The report will also provide information as to voluntary and involuntary liens on the property, judgments, tax suits, child support suits, etc. against the property.

**d. Separated Spouses**

Both spouses must submit documents needed to qualify for the rehabilitation program; whether they are residing in the home being considered for rehabilitation or not. Each applicant's income, etc., will be considered and both spouses must sign all related documents prior to the approval of services.

### **3. PREPARATION OF REPAIR FILES AND RECORDS**

**a. Assignment of Folio Number**

When preparing a file, a folio number shall be assigned and recorded in the rehabilitation folio assignment log. The first four (4) digits of the folio number represents the program year, the next four (4) digits represent the Annual Action Plan project number, the next four (4) digits are a sequential number from 0001 to 9999. Each new file is assigned the next sequential number. The last series of numbers and letters reflect the assigned HUD activity number and the source of funds used.

**Example: Case No. 2006-0020-0001-2251CDBG**

<b>2006-0020</b>	<b>Annual Action Plan Project Number</b>
<b>0001</b>	<b>The 1<sup>st</sup> case number assigned for this project</b>
<b>2251</b>	<b>The Activity Number from IDIS</b>
<b>CDBG</b>	<b>Source of Funding</b>

Next to the folio number in the Home Repair Applicant Database, enter the applicant's name, and address.

**b. Home Repair File Setup**

After establishing folio numbers for rehabilitation clients the repair file shall contain the following documents:

- a) Application Form
- b) All verifications
- c) Credit Report
- d) Appraisal-Harris County Appraisal District (HCAD)
- e) Title Report
- f) Commissioners Court Approval Letter
- g) Mechanic's and Materialman's Lien or Grant Contract
- h) Truth in Lending and Rescission Statement, (applicable to DPLs only)
- i) Transfer of Lien documents, if applicable
- j) Tax Certificate
- k) Deed of Trust or Warranty Deed
- l) Evidence of Flood Insurance, if applicable.
- m) Attorney notes
- n) File Progress Report (Initial Tracking Form)
- o) Home Repair/Rehab Project Time Tracker

This file shall be compiled as the case progresses.

#### **4. VERIFICATIONS**

Upon determining that the case appears to be feasible for repair, it is important to immediately mail out all applicable requests for verification. The date that each verification form is mailed out should be recorded on the file Progress Record.

The cost of obtaining verifications is relatively insignificant and only involves staff time and postage. If the Rehabilitation Grant/Deferred Loan is not approved or the applicant withdraws from the program for any reason, these expenses related to such activities must be absorbed as an administrative cost to the Home Repair Program.

Therefore, it is important that the Lending Services Manager be reasonably sure the Grant/Deferred Loan is approvable before requesting these services. The following steps dictate the procedures to be followed for the various verifications:

##### **a) VERIFICATION OF INCOME**

Verification of the household income is required in order to determine eligibility of the Applicant(s). A Verification of Employment (VOE) form is to be completed by each adult person in the household (18 years or older) which provides for the name and address of the employer, dates of employment, salary, bonuses, overtime, etc. In addition, to the VOE form, copies of the current three (3) months of payroll stubs are required to verify employment and income. Other types of documents needed to verify income as applicable include, but are not limited to: Social Security benefits, retirement, and child support.

##### **b) VERIFY OWNERSHIP OF PROPERTY**

An applicant(s) is required to have one hundred percent (100%) interest in the property for eligibility for Home Repair Program. To determine ownership by the Applicant, CSD will request a Title Status Report from the County Attorney's Office.

The request for the title report should include:

- The name of the applicant
- The address of the subject property
- The legal description of the property

Any other information which may be helpful to the person preparing the title report should also be included. The date each request is sent should be noted on the file Progress Record.

A clear title is a requirement for the all projects approved by CSD.

**c) REQUESTING TAX REPORTS (Verify if Taxes are Current)**

A request for a tax report shall be made in writing to the CSD approved company providing tax reports. The request for the tax report shall contain the following:

- Name of Applicant
- Address of Subject Property
- Legal Description

**d) REQUESTING A CREDIT REPORT**

A request for the credit report shall be made in writing to the CSD approved company providing credit reports. The request shall contain the following:

- Name of applicant
- Address of applicant
- SSN#

**5. REVIEW OF APPLICATION PACKAGE**

The preparation of the application involves the review and analysis of all the data gathered from the verifications, title report, appraisal, and credit reports, etc. Certain computations must be made to determine the extent of an applicant's eligibility for the various provisions of the rehabilitation program. In order to do this, the Loan Originator must be thoroughly familiar with, or refer to, the specific regulations and guidelines, governing the particular rehabilitation program(s) for which the applicant is being considered. After review of all the documentation in the applicant's file and it has been determined that the applicant qualifies for the assistance based on income, etc., a Notice of Eligibility (NOE) is provided to the Manager, HCIS.

**6. PREPARATION OF APPLICATION PACKAGE**

When the NOE is provided to HCIS, an Inspector is sent to the property for assessment of the work that is being requested by the applicant.

After design specifications and pictures are completed, an in-house estimate is prepared by HCIS and submitted to the Purchasing Department for bids.

Purchasing will select and award the most reasonable bid, and forward this information to HCIS. If the applicant's information in the file concerning income, etc. is older than six (6) months, the information must be updated before finalizing the application for approvals due to possible changes in the household and income level.

The final application package, which is to be submitted for approval by the Loan Originator to the URC should contain the following material and documents:

- a) Home Repair Application
- b) Rehabilitation Work Write-Up with estimated cost
- c) Purchasing Department's Bid Award
- d) Credit Report
- e) Verification of Employment
- f) Verification of Deposit
- g) Social Security Verification, if applicable
- h) Satisfactory Title Report and Tax Status
- i) Mortgage Verification
- j) HCAD appraisal or as-is appraisal, if required
- k) Grant Contract, or Mechanic's and Materialman's Lien Contract

## **7. URC REVIEW AND APPROVAL**

Prior to preparation for settlement, the final application package shall be presented for approval on the next scheduled Underwriting Review Committee (URC) meeting. Each approved package shall be placed on the URC agenda and only those packages receiving URC approval shall be forwarded to the Purchasing Department for Purchase Order and/or contract execution.

## **8. CONTRACT PREPARATION**

After making a determination of the eligibility of an applicant, bid award by Purchasing, and the review and approval by the URC, the Loan Originator shall send the contract documents to the Harris County Attorney's Office for review and approval. Following review and approval of the contract documents by the County Attorney's Office, the Loan Originator will setup times to meet with the homeowner (applicant) and the contractor to carry out the following:

- i) Explain all documents to the applicant making sure they thoroughly understand their rights and responsibilities in connection with the grant/deferred loan.
- ii) Obtain the applicant's and contractor's signatures on the contract.

- iii) Obtain the contractor's signature on the Transfer of Lien, if applicable.
- iv) For deferred payment loans, obtain applicant's signature on the Truth-in-Lending Disclosure statement, and Notice of Right of Rescission.

The Loan Originator will explain all documents to the applicant and the contractor to insure that the contract documents are thoroughly understood as to their rights and responsibilities in connection with the contract as well as the responsibilities of CSD.

The Loan Originator will also explain to the applicant and the contractor the process and timeframe involved in placing their project on the Commissioners Court Agenda for approval.

For DPLs, during the next three working days following signature, the applicant can exercise his/her rights of rescission, under the Truth-in-Lending Act. During this time, no formal actions should occur until the right of rescission period has expired.

After the appropriate signatures are obtained from the applicant and the contractor, the Loan Originator shall forward the contract to the Purchasing Department for purchase order and/or contract execution.

## **9. POST APPROVAL PROCEDURES**

Following approval of the grant or deferred loan, the original contract documents are returned to the CSD Loan Originator. At this time, any lien documents are appropriately recorded with the County Clerk's office and the Notice to Proceed (NTP) is initiated by the Loan Originator in order to verify that funds have been approved, and the project can begin under the coordination of the HCIS with the applicant and the contractor. Copies of the contract document (the original contract document is maintained in the applicant's file) is attached to the original NTP for the approval process of the Loan Originator, the HCIS Manager, Finance, and the Director. The NTP is to be signed by the applicant and the contractor within ten (10) days of the project construction start date.

## **10. CLOSE-OUT PROCEDURES**

The procedures for final close-out of a Rehabilitation Grant/Deferred Loan and the appropriate transmittal of various documents are as indicated below: Documents shall be transmitted and/or stored as follows:

- (i) The "original" Grant Contract and all backup documentation, recorded lien documents and every permanent document required in the process of the rehab grant/deferred loan shall be placed in the Lending Permanent File, and in a safe, secure storage within the CSD central file.

- (ii) The Home Repair Program database shall be appropriately updated to indicate bid award date, NTP issuance, etc. This database will contain every deferred loan and grant processed by CSD. It will contain but not be limited to applicant name, property address, application date, start date, completion date, loan amount, contract amount, grant amount and a folio number.

### **C. MINOR HOME REPAIR GRANTS (CDBG only)**

Applicant(s) who meet the eligibility criteria set out in Section V. A. above and qualify under Assistance Category 1, minor home repairs, must be shown to have a present possessor interest in the property to be repaired, and all taxes must be current.

Home Repair Grants may be made to qualifying individuals or families who are experiencing specific life, health, or safety hazards because of severely sub-standard conditions in the dwelling structure in which they reside. These grants are intended to alleviate the immediate hazard or primary repair item only. It is not intended that this grant is repaid and there shall be no lien placed on the property. The program requirements are as follows:

#### **1. TYPES OF GRANTS**

- ♦ Structural System Repair
- ♦ Mechanical System Repair/Replacement
- ♦ Electrical System Repair
- ♦ Plumbing System Repair
- ♦ Weatherization
- ♦ Americans with Disabilities (ADA Compliance)

#### **2. COMPETITIVE BID REQUIREMENTS**

Due to the minor nature of rehabilitation work and the desire to affect prompt repair, it shall not be necessary to follow the sealed bid method, or formal purchase process, for projects below the \$25,000 limit, however the informal bid process shall be used to ensure each project is competitively priced.

### **D. LATENT DEFECTS GRANTS**

CSD will review complaints from homeowners who have had rehabilitation work performed under the Harris County Home Repair Program. A determination will be made by HCIS whether the Contractor who performed the original work is responsible under his contract for defective workmanship or materials, or whether the complaint relates to a condition that was not fully addressed in the original Scope of Work.



If the condition complained of by the owner was apparent at the time the initial work was done, the owner is not eligible for additional assistance to correct this item. If the defect was not discernible prior to the repair work and should be corrected in order to prevent waste or deterioration of the initial work, the owner may be eligible for an additional grant, not subject to the limitations cited in Section V. A. 2. g.

The amount of a grant under this section will not exceed \$5,000 and will require approval by the Director of the CSD. Any grants under this chapter in excess of \$5,000 shall be recommended for approval by the HCIS Manager and will require approval by the Director and Commissioners Court.

No lien will attach to the property for a grant under this section as long as the property is still owned by the applicant for whom the original work was performed. If ownership has changed, the owner will be required to submit an application for determination of eligibility before receiving assistance.

## **E. MAJOR REHABILITATION/RECONSTRUCTION DEFERRED LOANS**

Harris County Community Services Department generally does not provide major rehabilitation/reconstruction assistance. However, CSD acknowledges that circumstances may occur that warrant the provision of such assistance; therefore, on a limited basis, as approved by CSD Director and Commissioners Court, assistance may be offered in the form of a deferred payment loan to facilitate substantial rehabilitation or reconstruction of housing owned and occupied by low-income persons. In addition to the procedures described in Section V of this manual, the following additional requirements specifically apply to the provision of major rehabilitation/reconstruction services provided in the form of a deferred payment loan.

### **1. ASSISTANCE CATEGORY/MAXIMUM AMOUNT OF ASSISTANCE**

- a) Assistance provided in the form of a deferred payment loan for major rehabilitation or reconstruction services shall be known as Category 3 assistance:

Total Deferred Payment Loans are offered at zero percent (0%) interest for a (5-10) year term forgiven at a monthly rate accordingly.

#### **Major Rehabilitation/Reconstruction**

Major Rehabilitation	\$10,000 - \$25,000	Terms 5 Years
Reconstruction	\$25,000 – Max Subsidy	Terms 10 Years

- b) The maximum amount of the deferred loan shall not exceed the HOME Maximum Per Unit Subsidy as established by HUD and shall not cause the

after rehabilitation property value to exceed 95% of the median purchase price for the area.

- c) The term of the deferred loan is five to ten (5-10) years and will be forgiven accordingly. Additional assistance under this category may not be provided until such time the deferred payment loan period has expired and the lien released.

## **2. ELIGIBILITY CRITERIA**

Where the need for the major rehabilitation and/or reconstruction is a part of a neighborhood revitalization effort or where it is deemed necessary as a result of a natural disaster or other extenuating circumstance, such work will be undertaken per approval of the CSD Director, consistent with the eligibility requirements as prescribed in the previous sections of this manual, and in accordance with the following additional criteria:

- a) The structure is determined not suitable for minor repair based on one of the following conditions:
  - structures condemned by City/County authorities; or
  - burned dwelling where salvage value is less than 45%; or,
  - structurally unsound structures which are totally not feasible to repair; or
  - dwelling unfit for human habitation; or
  - abandoned structures wherein salvage value is less than 45%.
- b) It is demonstrated to the satisfaction of the Director of CSD that the cost of major rehabilitation or substantial reconstruction is significantly less than the cost of new construction.
- c) The ability to create no less than a second lien on the subject property.
- d) When using HOME funds, the value of the HOME-assisted project after rehabilitation shall not exceed 95% of the median purchase price for the area, as published by HUD.

## **3. BUILDING OR STRUCTURES ELIGIBLE FOR RECONSTRUCTION**

- a) Those having interior walls or other vertical structural members that list, lean, or buckle to about a third of its base.

- b) Those having improperly distributed loads upon the roofs, floors or overloaded to have insufficient strength.
- c) Those that are dilapidated, decayed, unsafe, unfit for human habitation and pose a threat to safety of the occupants or public.
- d) Those which have been damaged by fire, wind or other causes so as to have become dangerous to the homeowner or public.

#### **4. TERMS FOR REHABILITATION DEFERRED LOAN PROGRAM**

- a) The maximum loan amount shall not exceed the HOME maximum subsidy amount as published by HUD for rehabilitation/reconstruction and as determined according to the following factors:
  - (i) The actual cost of the rehabilitation work and refinanced indebtedness, if any, is not to exceed the maximum HOME per unit subsidy amount, including all related closing expenses and a ten percent (10%) contingency which shall be a grant and is not intended to be repaid.
  - (ii) The maximum loan amount is the amount, when added to any outstanding indebtedness, may not exceed ninety-seven percent (97%) of the sum of the As-Is Value and the estimated rehabilitation cost.
  - (iii) The Loan-to-Value ratio may not exceed ninety-seven percent (97%) of the after-rehab value as determined via the procedure described below at 5. a. ii. and iii.
  - (iv) In severely deteriorated properties, number ii (above) can be waived with the recommendation of the Lending Services Manager and the approval of the URC Committee and the Director.
- b) The interest rate for deferred loans shall be set at zero percent (0%), with terms ranging from five (5) to ten (10) years, and may be amended from time to time.
- c) The loan must be secured by a valid and enforceable first or second lien, with the combined indebtedness not to exceed ninety-seven percent (97%) of the after-rehab value. All persons having a legal interest in the property must join in the application for rehabilitation assistance and must execute the lien documents prior to the commencement of rehabilitation work.

- d) The lien documents shall require the borrowers to maintain adequate hazard insurance and flood insurance, as required by HUD Regulations, for the duration of the loan, and to furnish receipts of payment of insurance and taxes annually.

## **5. SPECIFIC PROCEDURES FOR DEFERRED LOANS**

### **a) UNDERWRITING**

In addition to the procedures addressed earlier in this manual, the following specific actions shall also be completed when qualifying applicants for a deferred loan:

#### **i. REQUESTING A PROPERTY VALUE – (Verify Value when using HOME Funds)**

A verification of property value can be obtained through the Harris County Appraisal District (HCAD) on the Internet.

All requests for a more formal property appraisal are to be made in writing with requests for two copies of the As-Is-Property Appraisal. The request must include:

- The name of the applicant
- The applicant's phone number
- The legal description of the property
- A copy of the "Floor Plan" type sketch of the structure identifying various rooms and
- Standard FHA appraisal forms are used in submittal.

The date of the request for an appraisal should be noted in the Initial Tracking Form.

#### **ii. Before Rehab Value:**

When using HOME funds a before rehab value must be determined. The estimate of value shall be determined through the Harris County Appraisal District (HCAD). The total value of the home shall be the value of the land and improvements and shall be recorded on the **Project Set-Up Report**.

#### **iii. After Rehab Value:**

When using HOME funds the value of the HOME-assisted project after rehabilitation shall not exceed 95% of the median purchase price for the area, as published by HUD.

The after rehab value must be established and documented in the project file prior to any work being performed. It may be established by estimate of value through HCAD. Project files must contain the estimate of value and document the basis for the value estimates (ref. Project Set Up Report and Completion Report.) The basis for the estimate shall be:

***HCAD value + (rehabilitation cost\*10%) = after rehab value.***

**b) File Setup**

In addition to the documents stated in Section V.B.3. above, the repair file for each client assisted with major rehabilitation assistance in the form of a deferred payment loan shall also include:

- Evidence of Hazard Insurance (to be placed in file within 30 days of completion of construction.)
- Annual updates to confirm Hazard and Flood Insurance, if applicable, are in effect.

**c) Settlement and Close-Out**

Loan settlement shall adhere to the same procedures cited earlier in this manual.

## **VI. PROPERTY ASSESSMENT AND WORK WRITE-UP PROCEDURES**

### **A. PROPERTY ASSESSMENT PROCESS**

Each repair project shall undergo a property assessment and work write-up once the applicant is approved for services. The following procedures should be followed in preparation of conducting the property assessment:

#### **1. ORIGINATION OF THE REPAIR PROCESS**

A project is forwarded directly to the HCIS Housing Construction Manager when the Program Applicant meets all of the eligibility and underwriting requirements.

#### **2. ASSIGNMENT OF PROJECTS**

The HCIS Manager forwards the project to the Project Superintendent who then assigns the case to a Project Specialist. However, prior to the repair assessment, the Specialist must check the Appraisal District's records to determine the age of

structure. For properties built prior to 1978, the property shall also be reviewed for applicability of the Lead Base Paint regulations, and the property shall also be reviewed for applicability of the Environmental/Historical regulations.

### **3. HOMEOWNER NOTIFICATION**

Immediately after a case is assigned, the Project Superintendent will notify the homeowner, that a Project Specialist has been assigned to inspect their property. This correspondence should briefly describe the applicable, rehabilitation program and its purpose. It should also specify the condition of the property necessary to initiate an assessment and request the presence of any individual(s) who may want to be present to assist the applicant.

### **B. LEAD SAFE HOUSING RULE (LSHR) COMPLIANCE**

Review of Lead Based Paint Hazards (LBPH) in homes assisted in the Home Repair Program will be conducted according to the requirements outlined at 24 CFR Part 35. The level of assessment and abatement, if necessary, shall be carried out in accordance with HUD guidance dictated by the amount of federal funds expended on each repaired property. Please refer to Appendix I for the “Summary of Lead-Based Paint Requirements by Activity” for specific required actions. The following procedures shall be carried out for compliance with the LSHR. Any results of the LBPH testing shall be recorded on the appropriate forms and indicate the condition of the home and treatment required, if any.

#### **1. LBPH NOTIFICATION**

All applicants to the Home Repair Program shall receive a copy of the pamphlet entitled “Protect Your Family from Lead in Your Home.” Proof of receipt of this pamphlet shall be obtained via initial by the applicant in the Acknowledgement and Notifications section of the Application.

#### **2. LBPH Property Inspection/Assessment**

During the initial feasibility assessment and subsequent property assessment, which is discussed further below, the assigned Project Specialist shall document and identify any potential cases of LBPH (where required work will disturb painted surfaces) in homes built prior to 1978, and transmit those findings to the HCIS Superintendent for recommendation to the HCIS Manager. HCIS shall obtain the services of a certified LBPH consultant for the purposes of testing and assessing risk on all homes built prior to 1978. Based on the level of assistance for which the property is ultimately approved, the HCIS Manager shall approve a level of evaluation as indicated in the schedule provided in Appendix I and according to the following:

- a. Category 1 Assistance- Paint testing and risk assessment shall be performed on all pre 1978 homes if the scope of work does involve the disturbance of

painted surfaces. If testing reveals the presence of LBPH on proposed work surfaces, the project may be deemed ineligible for the Home Repair Program and be referred to the Harris County Lead Hazard Control Abatement Program operated through the Harris County Public Health and Environmental Services (HCPHES) for LBPH abatement prior to the provision of rehabilitation assistance. Following LBPH abatement, the applicant may be reconsidered for assistance under the Home Repair Program following receipt of the Clearance Test.

- b. Category 2 Assistance- Since most repairs under this category will involve the installation of water wells and/or septic systems, it is not anticipated that the repairs will disturb any painted surfaces in or on the structure; however, if the scope of work does involve the disturbance of painted surfaces, and paint testing reveals the presence of LBPH, the project may be referred to the Harris County Lead Hazard Control Abatement Program operated through the Harris County Public Health and Environmental Services (HCPHES) for LBPH abatement prior to the provision of rehabilitation assistance. Upon receipt of a clearance, the project may be requalified for assistance under Category 2 for the Home Repair Program.
- c. Category 3 Assistance- All homes in this category shall be lead hazard tested prior to start of construction unless the home is to be demolished. Homes approved for this level of assistance and built prior to 1978, if found to contain Lead, may be referred to the Harris County Lead Hazard Control Abatement Program operated through the Harris County Public Health and Environmental Services (HCPHES) for LBPH abatement prior to the provision of rehabilitation assistance. Homes to be demolished and reconstructed are considered exempt.

### 3. LBPH Documentation

- a. For all projects assisted in the Home Repair Program, a **Lead Safe Housing Rule-Applicability Form** shall be completed by the assigned Project Specialist and maintained in the HCIS construction file.
- b. If the project is presumed or found to contain Lead – a copy of the following, as applicable, shall be placed in each clients file.
  - (i) Copy of the Lead Inspection Report performed by a certified Inspector or Risk Assessor consultant (or any other test that may be deemed necessary).
  - (ii) Copy of Scope of Work to be performed to control or abate the property of Lead Paint hazards, or referral notice to HCPHES. If the LBPH

- reduction work is performed by HCPHES, the Project Specialist shall coordinate with HCPHES to assure no duplication of work is done.
- (iii) Copy of clearance examination of Lead Hazard Reduction.
  - (iv) Under no circumstances should repair/rehabilitation work begin on an applicant's home until a copy of the LBPH Clearance is received from HCPHES, if applicable.
  - (v) Proof of submission of copies of the LBPH positive inspection and Clearance report to the homeowners.
- c. If the project is found not to contain Lead, the following shall be placed in each clients file.
- (i) Copy of the Lead Inspection Report or any other test that may be deemed necessary by the certified Lead Risk Assessor or approved Certified Lead Consultant.
  - (ii) Proof of submission of a copy of the negative inspection to the homeowner.

## **C. ENVIRONMENTAL/HISTORICAL REVIEW**

### **1. REQUEST FOR REVIEW/RELEASE OF FUNDS (Project Level)**

The Environmental Review process, which is outlined in 24 CFR Part 58, will be conducted according to the required procedures. Annually, during the preparation of the County's Annual Action Plan, a first tier Environmental Review (ER) and Request for Release of Funds (RROF) shall be conducted (on a scattered site basis) by the Planning and Development Section to release funds for use in the Home Repair Program.

### **2. REQUEST FOR REVIEW (Site Specific)**

After a project has been deemed preliminarily feasible a second-tier, site-specific environmental review should be done. The request will include the address of the property, photographs of the structure, the program activity, and the historic district in which the property is located, if any. A copy of the environmental review should be kept on file.

### **3. REVIEW CRITERIA**

Specific issues that are addressed during the environmental review process are floodplain management, noise levels, historic preservation, and thermal and explosive hazards. This review insures that work write-ups conform to the U.S. Secretary of the Interior Standards for Rehabilitation. Any repair item that does not conform to the Standards will be adjusted in the work write-up.

### **4. STATE HISTORICAL REVIEW (IF APPLICABLE)**

No work is to commence without such approval and the incorporation of State Historical Preservation Organization (SHPO) stipulations, if any, into the write-



up. Any violation of SHPO requirements may result in cancellation of an entire project. Homes built 50 years ago or earlier at the time of application for assistance shall require a historical review. CSD reserves the right to terminate assistance if historical preservation costs shall exceed the financial assistance limits of the Home Repair Program.

## **5. STATUTORY CHECKLIST/DOCUMENTATION**

Once all items on the abbreviated Statutory Checklist are complete and resolved, the statutory checklist and all supporting documentation is placed in the appropriate environment review record.

Environmental Review Records (ERR) for each project shall consist of the following:

- Project Description
- Abbreviated Statutory Checklist and supporting documentation.
- Compliance Documentation Checklist- 24 CFR 58.6 Other Requirements
- Key Map indicating site location
- FEMA Flood Map indicating site location

## **D. PROPERTY ASSESSMENTS**

The assigned HCIS Project Specialist should assess the residence of each applicant as soon as possible after a case assignment has been received. The purpose of the assessment is to document current conditions and determine the nature and the general scope of the eligible repair work. The Initial Property Feasibility Form is the form on which the Project Specialist is to report the defects (or absence of defects) found at the subject property. The form is to be completed in its entirety and must indicate the condition (or absence) of the various components and facilities. The Project Specialist is to identify deficiencies that can be addressed under the program's guidelines and/or the deficient physical conditions that constitute a violation of the Section 8 Housing Quality Standard (HQS), or Harris County's Minimum Property Standards (MPS), and any International Residential Code and/or local applicable code requirements for the purpose of assessing the repairs that may be made within the financial assistance thresholds of the Home Repair Program.

The following represents the priorities of the Housing Programs offered by the CSD and how projects shall be assessed.

### **Minor Repair (CDBG)**

- Housing Quality Standards (HQS)
- Applicable Code Violations
- All items repaired must at minimum meet HQS code

### **Health and Safety Repair (CDBG)**

- Housing Quality Standards (HQS)
- Applicable Code Violations
- Any items that poses an immediate threat to the health and safety of the occupant.

### **Housing Rehabilitation/Reconstruction (CDBG & HOME)**

- Housing Quality Standards (HQS)
- Applicable Code Violations(CV)
- Incipient (long term) defects (ID)
- Weatherization (W)
- General Property Improvements (GPI)

## **1. SCHEDULING ASSESSMENTS**

A HCIS Project Specialist will contact the homeowner to schedule the property assessment. At that time the Project Specialist should:

- a. Identify himself/herself and the reason for the call. The identification should also include reference to the staff member who initially interviewed the Program Applicant and the program under which the assessment is being made.
- b. Explain the purpose of the assessment, and that the Program Applicant may have any family member or representative present while the inspection is being made.
- c. Specify a time for the assessment. Although the Project Specialist's arrival time at the Program Applicant's residence may cover a period of time, it should not be so general as to require the Program Applicant to remain at home for the entire day.
- d. Obtain information concerning the Program Applicant's availability prior to the assessment in the event that the Project Specialist is required to cancel the inspection. Every effort should be made to honor all appointments. In the event that an appointment must be canceled, an apology should be made to the applicant, and a new appointment set as soon as possible.

## **2. CONDUCTING THE ASSESSMENT**

- a. Project Specialists identify conditions of the residence that are not in compliance with Section 8 Housing Quality Standards and Harris County Property Standards and applicable building code requirements.
- b. Measure the residence. When required, the residence should be measured. Measurement includes the height, length and width of each room or each specific area or item to be repaired so that the quantity of materials needed to make repairs

can be accurately determined. The exterior dimensions of the residence should also be recorded, if necessary.

- c. Record the results of the assessment on the Initial Property Feasibility Form.
- d. Photograph the exterior of the structure. It is recommended that additional photographs of major structural deficiencies in the residence be taken.
- e. Determine the corrective actions needed to address the deficiencies noted from the Property Assessment. Render an opinion of probable cost of repairs for the preliminary scope of work specified. Proceed with the work write-up if the estimated cost of the project is within the monetary limits of the program. If the estimated cost of repairs exceeds the monetary limits for the Home Repair Program, the project may not be feasible for repair.
- f. The Project Specialist should avoid any unnecessary conversations with the Property Owner regarding General Property Improvements. The assessment should only be concerned with rehabilitation work necessary to meet Minimum Property Standards. Any discussion about General Property Improvements should wait until it is determined to what extent, if any, the applicant is eligible for such improvements.

## **E. THE WORK WRITE-UP**

The Work Write-Up is the document on which the HCIS Project Specialist translates the assessment report into the specifics of the exact work that is to be performed at the subject property. It will describe the nature and extent of the rehabilitation work, the type of materials to be used, and the quantities involved. It will also make reference to the Project Performance Manual (Specifications) for contractors, which describes in even greater detail how certain work is to be performed. The Work Write-Up will ultimately become a part of the construction documents. The Work Write-Up should comply with the following format:

- It should accurately describe the work to be performed in clear and concise terms that are readily understandable to the Property Owner and the Contractor.
- It should avoid abbreviations of technical terms, types of materials and/or equipment.
- It should identify work items.
- It should clearly state where the Program Applicant has a choice of materials colors, style, etc., if possible.
- It should include any additional information which may be helpful to the Contractor in preparing an accurate Bid Proposal.

## **1. Preparing a Work Write-up**

Once a Project Specialist has completed an assessment, the next step is to prepare a work write-up that will identify all of the repairs that may be permitted according to the policies and procedures of the applicable construction program. Each work write-up must include detailed descriptions of work tasks and materials needed to make repairs so that contractors bidding on the job will understand exactly what is required. The basis for preparing the work-write-up is the Initial Property Feasibility Form that was prepared during the initial feasibility assessment and subsequent property assessment.

## **2. Procedures to be used in Preparing Work Write-ups**

When preparing a work write-up, each Project Specialist must take great care to observe the following procedures:

- a. Before preparing a work write-up for a residence, the Project Specialist should review and have before him/her the Initial Property Feasibility Form prepared for the property.
- b. Before writing a work task and describing the materials needed in making the repairs, the Project Specialist must review the structural dimensions found on the Initial Property Feasibility Form to make certain that the measurements used in describing repairs and materials are accurate.
- c. Project Specialists should describe each work task in sufficient detail to leave no doubt as to the defective conditions needing repairs and the materials needed to make those repairs.
- d. Project Specialists must arrange the work tasks in the work write-up in an orderly manner by room. This will provide a clearer picture to contractors of the repairs that are needed.
- e. Work tasks should be delineated separately in the work write-up. Combining non-related work tasks under the same specification can cause confusion when paying a contractor for work completed.
- f. Completed work write-ups must be submitted to the HCIS Manager for review prior to release for bidding.
- g. Prepare drawings when required may include, but are not limited to the following:
  - Floor Plans

- Exterior elevations
- Selected interior elevations
- MEP plans
- Miscellaneous detail sheet

### **3. Supervisory Review of the Work Write-up**

Each write-up will be reviewed by the HCIS Project Superintendent for accuracy and clarity of the specifications. The Project Superintendent will ensure that the method for rehabilitation described in the work write-up is the most cost effective approach to achieve programmatic goals.

Write-ups found to be deficient will be corrected by the Project Specialist who prepared the original write-up and returned to the Superintendent for review.

### **4. Opinion of Probable Cost (In-House Estimate)**

An opinion of probable cost, or in-house estimate, of the required repairs shall be made using estimating software. All in-house estimates are to be itemized. Each line item must have an estimated cost associated with it. That estimated cost will be used to evaluate the line item bid costs subsequently submitted by contractors who elect to bid on the job.

The estimated cost of the rehabilitation work must be as accurate as possible for it is one of the most important factors in determining financial feasibility as well as the point of comparison of Contractors' bids. There are numerous cost estimating techniques and reference materials available. It is the responsibility of the Project Specialist to obtain or develop those cost estimating references, which produce the most accurate estimates for rehabilitation work in the Harris County area.

All in-house estimates are work products of the CSD are confidential and will not be released to any person outside CSD until after the bids have been opened for such jobs, if requested. Itemized cost estimates should not be shown to or discussed with the Property Owner unless necessary. The Property Owner should be advised of the lump sum estimate only.

### **5. Preparation of an Opinion of Probable Cost (In-House Estimate)**

The Project Specialist shall estimate the net cost of labor and material (before contractor profit and overhead) of each item on the Work Write-Up. The cost of individual work items may become very important when negotiating with contractors for Contingency Allowances.

Upon completion, the Project Specialist shall provide the in-house estimate with the Work Write-Up to the Housing Construction Services Manager for review, modification, if necessary, and approval. Following acceptance by the Program

Participant (see Number 6. below), the in-house estimate of the repairs to be made will be approved and signed by the Housing Construction Services Manager.

#### **6. Property Owner's Approval of Work Write-Up**

After completing the Work Write-Up, drawings and cost estimate (including General Property Improvements, if applicable), the Work Write-Up should be presented to the Property Owner for approval. The Project Specialist should go over each item on the Work Write-Up to be sure the Property Owner understands exactly what is to be done. The Project Specialist should make it clear that the repair work is to include only the items on the Work Write-Up.

The Property Owner accepts the work Write-up by signing the Acknowledgement of Scope of Work form which includes the following statement:

"I have read this Work Write-Up and agree with its content and understand that these are the only items of work that the contractor is responsible to perform. I further request the Harris County Office of Housing and Economic Development to invite competitive bids from qualified contractors."

The Property Owner must initial each page of the final Work Write-Up and sign the above statement.

## **VII. EVALUATION, SELECTION AND CERTIFICATION OF CONTRACTORS**

### **A. QUALIFYING CONTRACTORS**

Before any Contractor is invited to bid on rehabilitation work, they must be qualified by CSD and his/her name placed on the **"List of Eligible Contractors"**.

#### **1. Contractor Eligibility Criteria**

In order to qualify, the Contractor must:

- a) Complete and submit the Contractor Qualification Application Form.
- b) Submit a Financial Statement for the last twelve months.
- c) Submit Bank Statements for the last two months.
- d) Secure and maintain the following insurance, as a minimum:
  - Contractor's and Subcontractor's property damage coverage in the minimum amount of \$100,000.00;
  - Contractor's Liability Coverage (bodily Injury) in the minimum amount of \$300,000.00;

- Workers' Compensation (statutory limits);
- e) Include Harris County as a named insured on all policies of insurance and such policy shall provide that CSD be notified regarding renewal or cancellation.
- f) Participate in the annual Contractor's Orientation Seminar outlining the procedures and guidelines that a Contractor must follow when participating in the Home Repair Program.
- g) Have both the financial capability and the staff to provide the services outlined in the contracts to which they are a party.
- h) Be current on all Harris County property tax payments for property owned personally or through corporation, partnership, or joint venture.
- i) Agree to participate in an on-going evaluation and recertification process. The Director with the recommendation of the HCIS Manager will decide final approval.

## **2. Qualification Process**

Certification of contractors for participation in this program will be conducted by the HCIS section in coordination with Finance review and Director approval. The certification process shall be conducted as follows:

- a) All contractor applications shall be forwarded to the HCIS Administrative Assistant for review and processing. The HCIS Administrative Assistant shall place the application in a file folder, and attach the Contractor Qualification Review and Approval Form .
- b) The HCIS Administrative Assistant shall:
  - Review application for accuracy
  - Request and/or review insurance requirements
  - Check general references by requesting written recommendations from previous clients, and/or place telephone calls to previous clients.
  - Review the Contractor against the Excluded Parties Listing to ensure the contractor is currently not debarred nor suspended.
  - Complete the appropriate items in Contractor Qualification Review and Approval form.
  - Submit Contractor to County Attorney for review of property tax status.
- c) Upon completion of the Contractor Qualification Review and Approval form, the HCIS Administrative Assistant shall submit the Contractor file to Finance for review of Financial Statements and credit report.

- d) Upon completion of the Finance section, contractor application and Contractor Qualification Review and Approval Form shall be forwarded to the Director for final review and approval.
- e) The Director, with the recommendation of the HCIS Manager, Controller and Deputy Director of Community Development, will decide final approval. If the contractor's application and verifications are acceptable the firm will be placed on the List of Eligible Contractors.
- f) Upon Director's approval, the HCIS Administrative shall send a letter to the contractor notifying approval and placement on the CSD List of Eligible Contractors.
- g) Contractors who do not meet the eligibility criteria will also be notified via written correspondence including an explanation of why their application was rejected.

## **B. DISQUALIFYING CONTRACTORS**

A contractor will not be permitted to bid on any Home Repair Project if the Contractor does not meet the requirements set forth above. A contractor may be terminated from the **List of Eligible Contractors** for any one of the following reasons:

- Unsatisfactory workmanship
- Untimely completion of work
- Failure to provide or honor warranties
- Use of unacceptable materials
- Failure to respond to an invitation to bid on three consecutive occasions, if not then currently working on a Lead or Rehab Project.
- Violation of any provision of the Contract

The HCIS Manager may, at his sole discretion, prior to disqualifying a contractor, make some effort to resolve any problems through counseling and/or negotiations. If this option fails, the Contractor will be notified by mail that he/she is no longer eligible to bid on rehabilitation work through CSD from the Director. The necessary documentation will be validated by the HCIS Manager and Project Superintendent.

## **C. CONTRACTOR ORIENTATION MEETING**

A mandatory Contractor's Orientation Meeting shall be held annually and conducted by HCIS and the Finance (Purchasing) Sections. All CSD qualified contractors shall be provided 30 days written notification of the date and time of the meeting.

The purpose of the meeting shall be:

- Explain the intent and purpose of the Program
- Review the Bid Process



- Expectations regarding quality of work

## **VIII. THE BIDDING PROCESS**

All activities under the Home Repair Program shall be bid in accordance with the Harris County Purchasing Agent Rules and Procedures.

Upon completion of the in-house estimate, HCIS shall transmit information to the designated Harris County Purchasing Agent representative for bid solicitation. The Purchasing representative shall review submitted bids and notify HCIS of the selected award.

Before the in-house estimate is submitted to Purchasing for bid solicitation, the work write-up will be reviewed with the Program Applicant by the HCIS Project Specialist and/or Project Superintendent. It is important that each Program Applicant understand the exact repairs that are scheduled to be made, and those that will not be made because of budget or program constraints.

Program Applicants often visualize more repairs than will actually be made, and it is important that they have a clear understanding of exactly what will be done for them. If a Program Applicant is in agreement with the scheduled repairs as outlined on the work write-up presented to him/her, they must sign an “Acknowledgement of Scope of Work Form”. No case will progress to the bid solicitation phase unless the program participant signs a “Acknowledgement of Scope of Work Form”. Completed work write-ups and write-up acceptance forms must be in the hands of the HCIS Manager or his designee before in-house estimates are submitted to Purchasing.

## **IX. CONSTRUCTION MANAGEMENT AND PROJECT COMPLETION PROCEDURES**

### **A. PRE-CONSTRUCTION CONFERENCE**

A pre-construction conference (PCC) will be held at the site of the project with the homeowner, contractor and a representative of HCIS. The primary purpose of the PCC is to facilitate communication between the parties and to eliminate uncertainty. The HCIS Project Specialist will conduct a room-by-room and/or item-by-item review of the work write-up to explain what is to be done in each room. The same will be done for all work related to the exterior of the property. The specifications will be reviewed and any questions answered as to the content of the work or the quality of the materials to be used. All colors will be selected at this time. The Project Specialist will remind all parties of the contractual agreement.

It is the determination of the Project Specialist in charge of the Pre-Construction Conference that both the Program Participant and the contractor are in agreement about what is to be accomplished under the Mechanic's Lien or Grant Contract.

## **B. PROJECT MONITORING**

Upon approval of the repair Grant and/or deferred loan, the HCIS Project Specialist will monitor the progress of the job to its completion.

### **1. Periodic Monitoring**

The assigned Project Specialist will conduct site visits to assure that repair work is being done in accordance with all contract documents and acceptable industry standard building practices. Such site visits should be made a minimum of twice per week. The results of every site visit is to be transmitted to the owner and contractor and kept in the project file at CSD.

If any clarifications, questions or requests for additional work is required, the contractor must submit a Request for Information (RFI) form to document the nature of the request and the date it was sent to HCIS.

The Project Specialist is to answer the request and transmit the information back to the contractor within forty eight (48) hours of the request.

### **2. Contingency Allowance Sum**

The need for modification in the scope of work may arise. During the course of the job, hidden, concealed, or otherwise unforeseen conditions may arise and be discovered. It is essential that these items be addressed as quickly as possible so that the progress of the job is not unduly interrupted. A contingency allowance sum in the minimum amount of at least 10% is included in the contract amount and lien documents, if applicable, to cover such costs. This amount is approved by Commissioners Court when the contract sum is approved. Authorization for its use shall be solely upon the CSD's Director's approval based on the recommendation of the HCIS Manager. Resubmission to Commissioners Court to authorize use of this sum is not required; however, no more than the contingency amount can legally be approved for the project without additional Commissioners Court approval.

- a) It shall be used only to cover the cost of hidden, concealed or otherwise unforeseen conditions that develop during the project .
- b) This work shall be authorized and paid by means of a Contingency Allowance Expenditure Authorization (CAEA) executed in accordance with guidelines contained herewith.

- c) The Bidder shall include in his base bid on the project his profit and overhead to cover the cost of contingency. As each contingency authorization is processed, it will not include any profit or overhead for the General Contractor. The Contractor shall include the following in his Contingency Proposal Cost breakdown:
  - (i) Material quantities and unit costs for each contractor and sub-contractor involved in the change.
  - (ii) Labor costs by item of work for each contractor and sub-contractor involved in the change.
  - (iii) Equipment rates and hours for each contractor and sub-contractor involved in the change.
  - (iv) Sub-contractor overhead and profit.
  - (v) The General Contractors SHALL NOT INCLUDE OVERHEAD AND PROFIT , INSURANCE, and WORKERS' COMPENSATION COSTS.
- d) A request for a contingency allowance should be submitted by either the contractor or project specialist using the Request For Information (RFI) form.
- e) After all parties have agreed that additional work is needed, a Contingency Allowance Expenditure Information Form (CEAI) is prepared by the Project Specialist. This completed and approved document together with a contractor's price for performing the described work and a opinion of probable cost estimate prepared by the Project Specialist must be submitted to the Project Superintendent and Manager for review and subsequent approval.
- f) Following approval of the CEAI, the CAEA Form will be signed by all required parties and properly executed for incorporation into the pay request.
- g) The Contractor shall proceed with accomplishing the work only after receiving a properly executed Contingency Allowance Expenditure Authorization executed by CSD.
- h) The Contractor shall not bill CSD for any work authorized by this procedure until the work has been accomplished.
- i) Any part of the Contingency Allowance which is not used during construction of the project shall be recaptured by CSD.

- j) At the completion of the project, the HCIS Manager will reconcile all the work accomplished through executed Contingency Allowance Authorizations, and provide for the refund to CSD through a properly executed Change Order. All unexpended balances of contingency sums shall revert to the Owner in the final settlement of the Contract by means of a credit to the loan, if applicable.

### **C. CHANGE ORDERS**

If any additional modifications are necessary which exceed the Construction Contingency Allowance because of the condition of the structure, a Change Order may be required in order to facilitate this change. Careful attention must be given to the cost of the additional work so as not to exceed any contingency allowance amount that was provided in the grant/deferred loan amount.

If the cost of the changes exceed the available money (i.e., sum of the construction contract amount which includes the contingency), it may be necessary to delete some non-essential work items. The items in a list of descending priority are: General Property Improvements, Weatherization, Incipient/Long Term defects, Code Violations and finally Housing Quality Standards. Under no circumstances can an item of "required work" be deleted.

All Change Orders must have the approval of the HCIS Manager, Project Superintendent, Homeowner, Contractor and the Director for CSD. All of these persons' signatures must appear on the Change Order form. In addition, all Change Orders must be approved by Commissioners Court. (See Section V, Part D on Latent Defects. Note: if necessary, this work may be done only after a new contract is entered into with existing contractor or work performed upon conclusion of existing project). If the cost of necessary work exceeds contract amount and all work is required, the County Attorney should be contacted for advice.

### **D. PROGRESS PAYMENTS**

When requesting a progress payment, the contractor must submit a notarized application and Certificate for Payment showing his cost for the work he has done.

Signatures of the homeowner, contractor, and Project Specialist must accompany the approved Pay Request to be submitted to the Project Superintendent.

The Project Specialists must make a progress report to confirm that the work is satisfactorily in place. Site visits shall occur at minimum twice a week. No payment will be made for work that has not been satisfactorily completed. Only under unusual circumstances will payment be made for materials that have been delivered to the job site but are not yet in place. The Project Specialist will review the contractor's cost figures and will arrive at an agreeable figure representing the value of the work satisfactorily in

place based on completion. Under no circumstances will a progress payment (or the sum of several progress payments) exceed 85% of the value of the work satisfactorily in place. The Project Superintendent and HCIS Manager will review all progress payments for validity. All progress payments will be notarized by the contractor to authenticate the application.

a) Installment Payment Schedule

An Installment Payment Schedule may allow for progress payments and a retainage payment of 15% to the contractor. The installment payments may total no more than eighty-five (85%) percent of the total repair cost outlined in a Mechanics Lien or Grant Contract. The amount of each installment payment may be no more than eighty-five (85%) percent of the cost of those repairs which have been completed, and which have been approved and accepted by the Program Participant and the CSD. Therefore, eighty-five (85%) percent of the contract price will be processed after one hundred (100%) percent of the repairs have been completed in a workmanlike manner and have been approved and accepted by CSD.

b) Payment Inspections

Upon receipt of a payment request, the Project Specialist will arrange a time convenient to all parties and conduct a payment inspection.

- (i) The Project Specialist will walk through the property with the owner, contractor and a representative. Verify the completed work items to insure that the completed work corresponds to the work write-up and the general specifications both in quality and quantity. Approval of the accepted work task is designated by the Homeowner's signature on the Application and Certificate for Payment.
- (ii) The Project Specialist will prepare the Pay Request. The Homeowner, Contractor, Project Specialist and a CSD representative will sign and date the Payment Request Form authorizing payment on the specified line items by trade.
- (iii) The Project Specialist will total the line-item cost of all work by trade listed. He/she will compute the fifteen (15%) percent retainage and determine the amount of the progress payment. The completed Payment Request will then be submitted to the homeowner, Contractor, Project Superintendent and

HCIS manager for review and signature. The Payment Request will be forwarded to the Finance Division for processing and eventual payment.

c) Final Inspection

All final inspections will be conducted by the assigned Project Specialist with subsequent approval of the HCIS and Project Superintendent. Prior to requesting a final inspection, the Project Specialist, who has monitored the job, should be totally satisfied that the work is complete. If the Project Specialist determines that all of the work has been satisfactorily completed, he will sign the Certification of Final Inspection and also obtain the Property Owner's signature on the Homeowners Acceptance of Work. Copies of both of these forms must be given to the Finance Division.

If all of the work is not satisfactorily completed, the Project Specialist will prepare a "punch list" of unsatisfactory or incomplete work items, which will be given to the contractor. Items on the punch list must be completed before the final ten percent (10%) percent retainage can be issued which normally is issued thirty (30) days after the date of Homeowner's Acceptance. Homeowner, contractor and specialist, must agree that all work items are complete with approval and certification of the HCIS Project Superintendent.

d) Warranty

Some defects and inadequacies in the construction work, not apparent at the time of inspection, may show up after final payment is made. Such defects may be misaligned doors or windows, roof leaks which are not apparent until after a rain, defects in the heating system, plumbing leaks, etc., which did not show up in the final inspection. All work performed by the contractor is covered by a one year warranty guarantee, so that the contractor may be required to correct significant defects in the work performed under his contract. However, other items as specified in the Project Performance Manual may have a longer product warranty - for example roof, appliances, etc. Contractor to furnish such warranties and/or guarantees to the CSD who keeps one copy in the file then transmits these to the Program Participant.

e) Retainage

A five percent (5%) retainage will be withheld for 12 months on all repair contracts of more than \$15,000. All complaints will be phoned or written to CSD offices where a warranty complaint form will be filled out and given to the contractor of record for corrective action. If the contractor of record does not respond in forty-eight (48) hours, CSD will secure the services of a contractor to correct the discrepancies and deduct the cost from the 5% retainage.

f) Close Out Procedures

All terms of the “Mechanics Lien Contract” and approved amendments thereto must be fulfilled before a case can be closed-out, and the contractor paid the final payment for services rendered. The Final Inspection in each case will require the presence of the Program Participant, the general contractor, and a Project Specialist from the CSD. Construction Close-Out Procedures will include the following steps:

g) Substantial Completion Inspection

- (i) A review of each and every line item in the work write-up in order to ensure that no item was overlooked. Make a final determination of the quality of the work and if the project meets programmatic goals and requirements.
- (ii) Emphasize to the Program Participant that any concerns about the repairs should be made at this time.
- (iii) If the inspection reveals inferior work, or work that is not in compliance to specifications - formally notify the contractor of the findings in the form of a “Punch-Out List” of substandard work tasks.
- (iv) A decision is reached on whether the Program Participant may be moved back into the home at this point by a consensus of the homeowner, contractor and Project Specialist.

h) Final Inspection/Project Acceptance

The project is ready for Final Acceptance when it is determined by the HCIS that the Grant or Mechanics Lien Contract has been fulfilled and that the Rehabilitation Project conforms to programmatic requirements.

- (i) Submit to the Homeowner the manufacturer’s warranty documents for all mechanical appliances (heating systems, water heaters, etc.), copies of the final certificates for Plumbing, Electrical, Heating and termite treatment, if applicable.
- (ii) Obtain the Homeowner’s signature on the “Homeowner’s Acceptance Form”.
- (iii) Initiate procedures for the Final Progress Payment.
- (iv) Inform the homeowner of the contractor’s one (1) year warranty on workmanship.
- (v) Instruct the Program Participant that the Mechanic’s Lien Contract requires that the rehabilitated structure be maintained during the deferral period, and that the

Grant Contract required the Participant to reoccupy the home, if the applicant had temporarily relocated.

- (vi) Once a Participant has signed the “Homeowner’s Acceptance Form”, the Release of Lien Document and a Utilization of Subcontractor’s Form, the contractor will then be paid the ten percent (10%) retainage payment after (30 days), if applicable.

If a materialman’s lien or laborer’s lien is filed against a rehabilitated property because of non-payment of wages or material bills by the general contractor or a subcontractor, the final installment payment for rehabilitation services rendered will not be paid until the lien is withdrawn. If the general contractor refuses to settle the matter with the laborer or materialman who filed the lien, the retained final payment will be utilized to pay for the unpaid services or materials, if the claim of the person filing the lien is found to be valid. The filing of a materialman’s lien or laborer’s lien may result in a contractor being temporarily or permanently denied participation in the Repair Program.

## **E. REPORTING**

### **1. PROJECT SET UP AND COMPLETION REPORTS**

The HCIS staff are required to complete Project Set Up and Project Completion Reports for each repair activity (homeowner assisted). While these reports are requirements when utilizing HOME funds, HCIS will utilize such forms for all projects regardless of the source of funds, as it provides a method for HCIS to adequately track projects and satisfy financial requirements. The following procedures shall be followed when submitting reports:

- a. Upon approval of an applicant by Commissioners Court and issuance of the Notice to Proceed (NTP) by Lending Services, the HCIS Administrative Assistant will prepare the **Project Set-Up Report** and attach a copy of the NTP and the Commissioners Court approval letter for the specific activity funded along with Grant/Deferred Loan application summary.

Upon review and approval by HCIS Manager, the Setup Reports shall be transmitted to Grants Management and a copy retained in HCIS repair files.

The HCIS Project Specialist/Manager and Grants Management Project Monitor shall review Set-Up Reports for:

- The amount of funds allocated
- The type of funds allocated (HOME, CDBG, TIRZ, or other)
- Service Area
- Client Household Characteristics (income)



- Regulation as it relates to the funds

Upon receipt of the Project Set-Up Report, NTP and Commissioners Court approval, Grants Management shall set up the activity in the Integrated Disbursement and Information System (IDIS).

- b. Upon final payment to the contract/project close-out, the Administrative Assistant shall prepare a **Project Completion Report** with the final Payment Application. Upon review and approval by the HCIS Manager the report shall be transmitted to Grants Management and a copy retained in the HCIS Repair files.

The Grants Management Project Monitor shall review the Project Completion Report for the following:

- Type of activity
- Type of funding (grant, deferred loan)
- Amount of funding (total project cost)
- After Rehab-Value (if applicable)
- Client Household Characteristics (income)

Upon approval the Final Payment Request shall be forwarded to Finance for processing and eventual payment.

Steps for completion of a project include:

- Close out documents completely executed.
- A Project Completion Report shall be prepared
- The Project Completion Report shall be submitted with final payment.
- HCIS Manager shall review the report and transmit to Grants Management.
- A copy shall be retained in the HCIS Rehab file.

## 2. PAYMENT REPORTS

Payment reports consist of Payment Applications prepared by HCIS based on completion of work on a specific activity.

Upon review and approval by HCIS Manager, the Payment Reports shall be transmitted to Grants Management and a copy retained in HCIS repair files.

The Payment Applications are reviewed for actual expenditures and approval of funds.

Upon approval, Grants Management shall forward the payment request to Finance for processing and eventual payment.

### **3. CLIENT DATA AND SUMMARY REPORT**

In addition to the Project Set-up and Completion Reports, on a monthly basis, the HCIS staff shall complete and submit to Grants Management, **Client Data and Summary Reports**. In months with no new activity, Client Data and Summary Reports must also be submitted with a notation of “No New Activity.”

### **4. SEMI-ANNUAL/ANNUAL REPORTS**

In addition to the Project Set-up and Completion Reports, and the Client Data and Summary Reports, HCIS shall also submit semi-annual and annual reports for each operating program year. Such reports shall be submitted in a form provided by Grants Management and at minimum shall provide a written narrative summary of the activity undertaken during the previous six months including by not limited number of applicant inquiries, approvals, feasibility inspections, work write-ups completed, bid openings and lets, and project completions. Such reports should also provide explanation for any delays in program implementation, complaints received, or unique situations that have arisen in the process of program implementation.

## **F. DISPUTES**

If the owner disputes the acceptability of any work approved by the Project Specialist and refuses to authorize payment to the contractor, the Project Specialist will:

1. Re-evaluate the disputed work item(s) to determine if the owner’s concerns are valid, advise the owner of his determination, and indicate if any corrective action will be taken or if he will recommend payment for the disputed work.
2. Record the dispute in a brief memo to the HCIS Manager, who will review the matter and take appropriate action to either sustain the Project Specialist and recommend payment approval to the Director CSD, or take corrective actions.
3. If the HCIS Manager recommends payment of the disputed items, he shall direct his staff to fully and completely document the situation since his action will confer responsibility on the program for the quality of the work completed. The documentation is required in

order to protect the program from liability arising from any subsequent complaint or as may be determined by a court of competent jurisdiction.

4. Approval of the payment may be made by the HCIS Manager only for reasons as listed in the Mechanic's Lien or Grant Contract.

If a contractor maintains a good performance record and responds to warranty complaints promptly and effectively and corrects all warranty complaints, CSD will release the 5% retainage when the one year time period lapses.

## **X. PROPERTY DISPOSITION POLICY FOR HARRIS COUNTY COMMUNITY SERVICES DEPARTMENT**

### **A. RESIDENTIAL REAL PROPERTY FORECLOSURES**

When the CSD makes a loan to an applicant to rehabilitate a residence owned by the applicant, a lien is created in favor of CSD in order to ensure that the applicant, who has been determined to be an eligible low or moderate income person, (1) continues to use the property as his or her dwelling for a minimum of five years and (2) makes any required payments under the loan. CSD will monitor the property regularly for those purposes. In the event of default in making payments, if required, or in the event of the borrower's death, sale or abandonment of the property, the CSD will have the right to foreclose on its lien pursuant to the terms of the loan documents and Chapter 51 of the Texas Property Code.

If CSD determines to foreclose on its lien, it will decide first how the property can best be used by the CDBG or HOME program. After all required demand is made on the persons obligated to pay the note, the CSD Director will decide whether the property has value to the County for use in any existing community development programs and, if so, determine a minimum bid not to exceed CSD's total outstanding debt for that loan. Once the decision is made the County Attorney's Office will proceed with legal procedures required for foreclosure. In addition to the required legal notices and posting, CSD may (but is not required to) give notice to all individuals, profit and non-profit corporations, and charitable entities who have indicated an interest acquiring such properties to use in eligible activities under grants administered by HUD. A deed will be executed by the trustee to the highest bidder for cash, pursuant to the loan documents. If the Director determines the County has no use for the property, the County may choose not to bid but may sell to the highest bidder after sending notice of the sale to parties who may have indicated an interest in the property.

### **B. COUNTY-OWNED SURPLUS REAL PROPERTY**

If the County is the successful bidder at the foreclosure sale, the property then belongs to Harris County, and will be treated as "program income" under 24 CFR 570.504, if the loan was made from CDBG funds, or under 24 CFR 92.503, if the loan was made from HOME funds. In accordance with 24 CFR 570.201(b), additional CDBG funds may be used to clear the property of weeds, remove debris and perform necessary repairs, maintenance and management of the property until it can be disposed of by sale or donation. For HOME assisted properties, such costs may be covered through the use of local funds or HOME administrative funds in accordance with 24 CFR 92.207.

Such funds may also be used to demolish any unsafe structures in order to reuse the land for CDBG authorized purposes. The property may also be leased in accordance with national objectives set out in the CDBG regulations.

Property may be donated to any entity which submits a proposal indicating an eligible use for the property, or the property may be sold to any individual determined to be eligible by CSD's loan program for low and moderate income persons as described below. In either case, the person or entity receiving the property must agree in writing to a covenant to use the real property for eligible purposes for five years, as required by 24 CFR 570.505, or applicable affordability period as required 24 CFR 92.254 for the HOME-assisted properties.

If CSD determines the property should be sold as quickly as possible, it will have absolute discretion to sell the property at public auction or by sealed bid pursuant to chapter 263 of the Texas Local Government Code, without regard to subsequent use of the property for low and moderate income purposes. CSD may take whatever steps it deems necessary in attempting to obtain the greatest sales price for the property. CDBG funds may be used to demolish any unsafe or unmarketable structures in order to achieve this purpose.

#### **C. CEDD LOAN PROGRAM FOR RESALE OF PROPERTIES**

CSD will maintain a list of approved applicants (individuals or non-profit corporations) who will be notified that a property is available, giving them 30 days to inspect the property. Qualified buyers (Low and moderate-income) who have been previously approved for loans under the same criteria as set out in the rehabilitation loan policy, or persons currently receiving rental subsidies through the Section 8 program, may be allowed to indicate their interest in buying the property at fair market value as determined by an appraisal. Loans will be offered for the purchase with a 3% down payment, financed at 0 to 6% interest depending on the applicant's qualifications. If more than one applicant indicates an interest in purchasing the property, the property will be offered to the interested person who has been on the waiting list the longest.

## **XI. PREVENTION DETECTION AND INVESTIGATION OF PROGRAM WASTE, FRAUD AND ABUSE**

The Housing Construction and Inspection Services Section is committed to ensure the prevention, detection and investigation of program waste, fraud and abuse. Additionally, all staff shall administer the program (contractors participating in the program and homeowners receiving benefits from the program) in accordance with all State, County and Federal procedures, policies and laws. This includes but is not limited to:

- ◆ The Code of Federal Regulations
- ◆ Vernon's Texas Codes
- ◆ The Copeland Act
- ◆ CDBG and HOME Regulations

## **XII. APPENDICES**

- A. UNDERWRITING REVIEW COMMITTEE GUIDELINES**
- B. OPTIONAL RELOCATION POLICY**
- C. LEAD BASED PAINT REQUIREMENTS**
- D. SAMPLE ENVIRONMENTAL REVIEW RECORD**
- E. MINIMUM ACCEPTABLE PROPERTY STANDARDS**
- F. CLIENT GRIEVANCE OR COMPLAINT PROCEDURES**
- G. HOME REPAIR APPLICATION**
- H. VERIFICATION FORMS**
- I. INITIAL PROPERTY FEASIBILITY REPORT**
- J. GRANT CONTRACT**
- K. MECHANIC'S LIEN CONTRACT**
- L. CONTRACTOR APPLICATION PACKET**
- M. WORK WRITE-UP/ACKNOWLEDGEMENT OF SCOPE OF WORK FORM**
- N. SAMPLE INHOUSE ESTIMATE AND COST SHEET**
- O. RECORD OF PRE-CONSTRUCTION CONFERENCE**
- P. FIELD REPORT**
- Q. REQUEST FOR INFORMATION (RFI)**
- R. CHANGE ORDER**
- S. CONTINGENCY ALLOWANCE EXPENDITURE INFORMATION FORM (CAEI)**
- T. CONTINGENCY ALLOWANCE EXPENDITURE AUTHORIZATION (CAEA)**
- U. FIELD CHANGE**
- V. APPLICATION AND CERTIFICATE FOR PAYMENT**
- W. PROJECT SETUP AND COMPLETION REPORT**
- X. CLIENT DATA AND SUMMARY REPORTS**
- Y. SEMI-ANNUAL REPORT FORM**
- Z. HOMEOWNER SATISFACTION SURVEY**

